

## Message Text

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ACTION EA-10

INFO OCT-01 EUR-08 ISO-00 CIAE-00 DODE-00 PM-03 H-01

INR-05 L-01 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 EB-04 CIEP-01 TRSE-00 STR-01

OMB-01 CEA-01 COME-00 /073 W  
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R 050800Z NOV 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 5747

INFO AMEMBASSY SEOUL

USMISSION OECD PARIS

C O N F I D E N T I A L TOKYO 14335

E.O. 11652: GDS

TAGS EAID JA KS

SUBJ: JAPANESE AID TO KOREA

REF: TOKYO 13958

SUMMARY: GOJ AND ROK HAVE EXCHANGED DIPLOMATIC  
NOTES FORMALLY COMMITTING ABOUT 104 MILLION DOLLARS  
IN JAPANESE AID EARLIER PROMISED IN 1972 AND 1973.  
ACCORDING FONOFF, KOREAN OFFICIALS WERE EXPECTED  
TO PRESENT FORMAL REQUEST FOR ADDITIONAL AID  
OCTOBER 31. END SUMMARY.

BEGIN UNCLASSIFIED

1. OFFICIALS OF JAPANESE AND SOUTH KOREAN GOVERN-  
MENTS EXCHANGED DIPLOMATIC NOTES IN SEOUL  
OCTOBER 25 PROVIDING FOR NEW JAPANESE YEN LOANS TO  
KOREA UP TO AMOUNT OF 31.32 BILLION YEN (ABOUT 104  
MILLION DOLLARS AT 300 YEN/DOLLAR), AS FOLLOWS:  
A) 19.44 BILLION YEN (ABOUT 64.8 MILLION DOLLARS)  
FOR RURAL DEVELOPMENT PROJECT IN SAPKYOCHON, CHEWHADO,  
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AND CHANGYOUNG AREAS CONSISTING OF SMALL IRRIGATION

PROJECTS, ELECTRIFICATION OF FARM VILLAGES,  
AND AGRICULTURAL MECHANIZATION. TERMS OF THIS LOAN  
WILL BE 3.25 PERCENT INTEREST WITH REPAYMENT OVER 18  
YEAR PERIOD FOLLOWING SEVEN YEARS' GRACE.

B) 11.88 BILLION YEN (ABOUT 39.7 MILLION DOLLARS)  
FOR DAECHONG DAM CONSTRUCTION PROJECT CONSISTING  
OF CONSTRUCTION OF DAM AND POWER PLANT FOR IRRIGATION,  
FLOOD CONTROL, AND GENERATION OF ELECTRICITY. TERMS  
OF THIS LOAN WILL BE 3.5 PERCENT INTEREST WITH  
REPAYMENT OVER 13 YEARS FOLLOWING 7 YEARS' GRACE.

2. BOTH LOANS ARE TIED TO PROCUREMENT IN JAPAN  
THOUGH PORTION OF FUNDS MAY BE USED FOR LOCAL COST  
FINANCING. BOTH LOANS WILL BE MADE BY OVERSEAS  
ECONOMIC COOPERATION FUND UNDER LOAN AGREEMENTS TO  
BE WORKED OUT, AND DISBURSEMENTS UNDER BOTH MUST  
BE COMPLETED BY DECEMBER 31, 1979.

END UNCLASSIFIED

BEGIN CONFIDENTIAL

3. ON OCTOBER 31 EMBOFF REVIEWED LOANS WITH FONOFF  
REP (SEZAKI, DEPUTY DIRECTOR, FIRST ECONOMIC  
COOPERATION DIVISION). SEZAKI PROVIDED THE FOLLOWING  
ADDITIONAL INFORMATION:

A) AS RESULT ABOVE NOTE EXCHANGES, ALL JAPANESE  
AID PROMISED AT 1972 MINISTERIAL AND WORKING LEVEL  
MEETING JUST PRIOR TO 1973 MINISTERIAL HAS BEEN  
FORMALLY COMMITTED EXCEPT LOAN FOR POHAN STEEL MILL  
PROJECT. FEASIBILITY OF POHAN PROJECT IS UNDER RE-  
STUDY IN LIGHT OF PLANNED CONSTRUCTION IN KOREA OF  
ANOTHER STEEL MILL, AND EXTENSION OF JAPANESE LOAN  
FOR POHAN WILL DEPEND ON OUTCOME OF THIS STUDY.

B) ROK OFFICIALS WERE EXPECTED TO PRESENT FORMAL  
REQUEST FOR NEW AID TO FONOFF  
OCTOBER 31.

4. DURING CONVERSATIONS IN AUGUST AND SEPTEMBER WITH EMBOFF,  
SEZAKI HAD EXPLAINED THAT GOJ-ROK WORKING LEVEL DISCUSSIONS  
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ON PENDING AID HAD CONTINUED WITHOUT INTERRUPTION  
SINCE 1973 MINISTERIAL IN SPITE OF STRAINS IN  
POLITICAL RELATIONSHIP. THIS APPROACH WAS IN  
CONTRAST TO JAPANESE SUSPENSION OF WORKING LEVEL AID  
TALKS FOR SOME TIME FOLLOWING KIM DAE JUNG INCIDENT  
IN 1973, BUT IN KEEPING WITH PRESENT GOJ POLICY OF  
ATTEMPTING TO MAINTAIN DAILY CONTACTS BETWEEN TWO  
GOVERNMENTS AND BETWEEN JAPANESE AND KOREAN PEOPLE

SO AS TO PREVENT POLITICAL PROBLEMS FROM AFFECTING  
OTHER ASPECTS OF BILATERAL RELATIONSHIP. THUS, IN  
AUGUST 1974, FONMIN KIMURA STATED IN DIET THAT GOJ  
AID TO ROK WOULD BE CONTINUED REGARDLESS OF  
POLITICAL PROBLEMS. ON AUGUST 29, BASED ON  
KIMURA'S PERSONAL APPROVAL, GOJ SUBMITTED DRAFT  
NOTES COVERING AID DESCRIBED ABOVE TO ROK. KIMURA  
RECONFIRMED TO FONOFF SUBORDINATES HIS APPROVAL OF  
THE DRAFT NOTES AND WILLINGNESS OF GOJ TO EFFECT  
NOTE EXCHANGE FOLLOWING KOREAN CANCELLATION OF THE  
TRADE TALKS. FAILURE OF KOREAN SIDE TO RESPOND TO  
GOJ DRAFT UNTIL AFTER SHINA VISIT ACCOUNTED FOR  
DELAY IN FORMAL NOTE EXCHANGE.  
HODGSON

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